

EXHIBIT Q

From: Duskin, Jon
Sent: Monday, August 14, 2000 10:37 AM
To: Fletcher, Daniel J
Subject: RE: Downgrades Coming

sounds good. lets schedule a time.

-----Original Message-----

From: Fletcher, Daniel J
Sent: Monday, August 14, 2000 9:55 AM
To: Duskin, Jon
Subject: Downgrades Coming
Importance: High

Jon,

Be aware of the likely downgrades, negative views, and battles with banking which are all implications of the following. This is important stuff. Pls read the whole thing.

Dan

-----Original Message-----

From: Fletcher, Daniel J
Sent: Monday, August 14, 2000 9:21 AM
To: Bath, Blake
Subject: RE: Emerging Telecom
Importance: High

Blake

I have been thinking hard, about all the names I follow. In summary, I believe every name I follow, with maybe one exception, will have to be downgraded sometime over the next 2-3 quarters. I'd like to do these downgrades as soon as we can. Below is a discussion of why.

PRIMUS (PRTL): Primus's exposure to the voice business (90% of revenues), where pricing in most regions is a real issue, will mean that gross margin expansion, and revenue growth, is too aggressive. PRTL is likely to start missing numbers as late as Q101. While co. has been viewed as beating numbers over the last few Qs, this has been done with smoke and mirrors as the co. lowballed expectations for revenues from acquisitions. Co. has no capital to make acquisitions now. I would like to discuss the positioning of this particular downgrade as 1) LB is the axe on the stock and it is down from \$51 earlier this year to \$13, 2) many of the client relationships I have developed have been around this name, 3) the Chicago salesforce have been ardent supporters of mgmt and the stock the whole way down and 4) it is part of Jeff Applegate's model portfolio.

RSL COMMUNICATIONS (RSLC): For the record, I have attempted to downgrade RSLC THREE times over the last year, but have been held off for banking reasons each time. The stock is off from mid 20s to single digits over the period. When I seriously considered leaving Lehman in the spring, one of the reasons I stayed was in part to move away from names like RSLC, which was explicitly discussed. As I have been right about this name for a long time, I'd like to avoid the embarrassment of closing the barn door after all the animals have left. I want to drop this immediately.

VIATEL (VYTL): As discussed in the spring, I want to drop this too.

GLOBAL CROSSING (GBLX): The only part of this company which is growing is its undersea bandwidth sale business. This is a VERY VOLATILE business as revenues are derived from asset sales, very one-time in nature. Additionally, TyCom and others will be bringing significant amounts bandwidth to market over the next 1-1 1/2 years, and will undoubtedly eat into GBLX's market share - GBLX has very little competition in this business, currently. Additionally, its Commercial Svcs unit (i.e. Bus. LD) has been showing no growth, although expectations have this business ramping strongly beginning in 2H00. This business is the old Frontier Communications, a trainwreck of a business. This, combined with the very competitive landscape in the US LD industry, means to me that chances of GBLX hitting expectations over the next 2-4Qs are unlikely. This situation is very reminiscent of Teleglobe, an unmitigated disaster. I believe the chances of GBLX being sold are very low. I'd like to downgrade as soon as possible. The complicating factor is the Asia Global Crossing IPO which is expected to begin its roadshow the

second week in August - we are a co-manager.

TYCOM LTD. (TCM): Expectations are unrealistic. The company's model had pricing at \$2M/STM1. Prior to the launch of the IPO, I (along with a few others), made the case that this was unrealistic. The company lowered the price assumption to \$1.5M. The model of the lead underwriter (Solly/Grubman) used this price at the launch of the IPO, but later, during the roadshow, changed the assumption to \$1.1M. Rev/EBITDA numbers have not changed however as volume was increased to compensate. As the network does not come up until next summer, company is somewhat of a honeymoon period, and stock is likely to benefit from announcements of big bandwidth presales (wavelengths, fiber pair). However, as we get into next year, new systems (i.e. Flag Atlantic 1) come into service, and as pricing likely comes down, it will become obvious that the long term model is overly optimistic. Pricing and volume demand are the key things to watch here, and if they show trends I expect in 1H01, will be the catalyst for a downgrade.

GLOBAL TELESYSTEMS (GTS): Company has a lot of debt and a hefty capex budget, it is running out of cash, and will be completely out of cash by mid '01. Unless additional funding sources are announced before the end of the year, I will be forced to downgrade (before year-end). Lehman's bankers are heavily involved with this company, and the former CEO, and one of the pre IPO investors now run LB's Telecom private equity fund.

STARTEC GLOBAL (STGC): As I have been saying for more than one year, I want to drop this. The complicating factor is that LB's high yield desk still owns a significant portion of the high yield, and has owned it ever since the high yield deal was priced, and we couldn't sell it all. This squarely falls into the category of a company that banking needs to clean up. as failure (Chapter 11) of this company because of a debt load that LB put in place, can't be good for our franchise.

ADDITIONALLY, THE OUTLOOK FOR THE BANDWIDTH PROVIDERS (LVLT, WCG) IS NOT GOOD

The major players (WCG, LVLT) have been lowering return on capital expectations, and the long term models (which drive DCF and stock prices) are probably still way too aggressive. I haven't yet completed the industry analysis, but my strong suspicion is that long term gross/EBITDA margin expectations (and thus return on capital and equity valuation assumptions) seem very aggressive. Sequential revenue growth rates for 01 (particularly 2H) seem very aggressive. I've been through this (in front of poor fundamentals) too many times. It is what it is. When I launch, I need to be able to clearly articulate the negatives.

ENOUGH IS ENOUGH

It's hard enough to be right about stocks, it's even harder to build customer relationships when all your companies blow up, you knew they were going to, and you couldn't say anything. I believe I've had a pretty tough group to deal with. Every single one of my companies (TGO, RSLC, PRTL, TGRP, STRX, STGC, GTS, IN, PGEX) has blown up in some fashion (or will - GBLX), and with the exception of PGEX, I haven't been able to speak my mind. **I think I've been a team player, and I believe it is now it is imperative for the franchise that I be able to take action on bad situations.**

-----Original Message-----

From: Bath, Blake
Sent: Friday, August 11, 2000 4:04 PM
To: Zito, Danny; Fletcher, Daniel J
Subject: FW: Emerging Telecom

Think hard about whether there are any stocks (MCLD, ALGX, RSLC, PRTL) you want to downgrade. Let me know

-----Original Message-----

From: Bath, Blake
Sent: Friday, August 11, 2000 4:00 PM
To: Hash, Steven R; Amato, Joseph V
Subject: FW: Emerging Telecom

Steve/Joe

The telecom services sector is a mess. We have been discussing with our bankers for some time how ugly the group is (5 years of capital spending growth at 25%/Yr, while EBITDA growth has been less than half that, and revenue growth has been a third that. Asset productivity has been cut in half, and gets worse every year). While the bankers keep talking the talk, they don't seem to be able to get any of these companies sold

We may be coming to you asking to downgrade in the next few weeks. I'd love to have your support.

Thanks

Blake

-----Original Message-----

From: Bath, Blake
Sent: Friday, August 11, 2000 3:36 PM
To: Band, Laurence; Tannenbaum, Alan
Subject: Emerging Telecom

Could it be any clearer that the game is over.

This sector needs to get cleaned up (consolidated, business plans reigned in, management teams strengthened/consolidated) in a BIG hurry. I think it is going to get a LOT worse before it gets better, and I think managements are insane if they are hanging out looking for much higher bids/stock prices.

I think we've been pretty patient on some franchise names (PRTL, GTS, WCG, RSLC), but we need to be given the freedom to act to downgrade these stocks, and I'm going to begin pushing this view internally.

Please call me

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